

**EXH. PKW-7C
DOCKET UE-20____
2020 PSE PCORC
WITNESS: PAUL K. WETHERBEE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket UE-20____

**SIXTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

PAUL K. WETHERBEE

ON BEHALF OF PUGET SOUND ENERGY

**REDACTED
VERSION**

DECEMBER 9, 2020

Shaded information is designated as Confidential per WAC 480-07-160

BPA Transmission Contract Renewals



EMC Informational

July 23, 2020

Brian Tyson

Senior Engineer, Energy Delivery

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Anticipated recommendation

Renew 100 MW of Centralia BPA Transmission and 94 MW of Garrison BPA transmission for 5 year term

Overview

- Both contracts end 9/30/2021
- Renewal rate starts at \$22.2/kW – yr, with a PSE assumption of 3% annual escalation rate
- Contracts are renewed indefinitely
- Centralia 100 MW provides a \$200M present value benefit to the portfolio
- Garrison 94 MW provides a \$25M present value benefit to the portfolio



Key Considerations for Centralia 100 MW Renewal

- Trans Alta Centralia PPA
 - 380 MW through 2024; decreases to 300 MW in 2025; ends 12/31/2025
 - Must take firm flat 7x24 contract
 - PPA is delivered through two transmission paths:
 - 280 MW PSE transmission
 - 100 MW BPA

Key Considerations for Centralia 100 MW Renewal

- Before 2025
 - Renewing the 100 MW in transmission provides the pathway from Centralia to PSE’s system, and meet PSE’s capacity needs
 - Not renewing exposes PSE to pay for energy without taking it and purchasing replacement energy from market
 - PSE analysis of BPA Long-Term Pending Queue indicates potential lack of future capacity on affected flowgate

- After 2025
 - The contract renewal dates will be 9/30/2026, one year after 2025 expiration of the Centralia PPA
 - If PSE does not renew for full 5-year term or redirects transmission, PSE must re-enter BPA queue for future use
 - Uses of 100 MW BPA Transmission after 2025 include:
 - Redirect to MidC for Winter Peaking needs
 - Reuse/Redirect transmission for a new renewable resource
 - Resell transmission
 - Uncertainty with PSEI’s portion of Centralia Transmission



Key Considerations for Garrison 94 MW Renewal

- Current information from BPA suggests PSE's ability to obtain transmission from Montana in the future is very limited and uncertain
- Losing 94 MW in peak capacity from transmission capacity would leave PSE short for Winter Peaking
- PSE can mitigate near-term Montana transmission surpluses by remarketing/reselling, or redirecting transmission
- Maintaining Garrison transmission is critical for meeting CETA standards and creates a potential use towards future Montana renewable resources.
- Renewing the transmission is appreciable cheaper option to an equivalent type product in the 2018 RFP or building a natural gas peaker plant

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Anticipated recommendation

Renew 100 MW of Centralia BPA Transmission and 94 MW of Garrison BPA transmission for 5 year term

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Appendix



Background

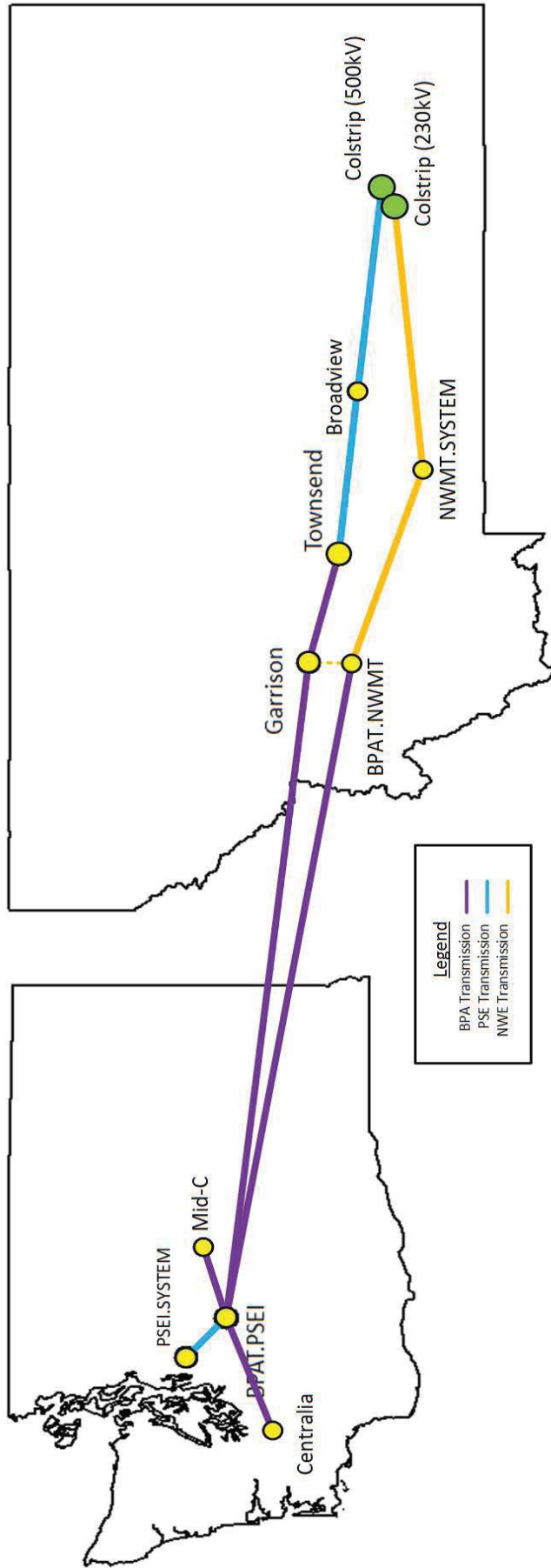
- 2011 WUTC GRC Final Order: PSE is expected to provide for any renewal or acquisition of firm transmission “a full and detailed justification showing the prudence of this expense if the Company expects to continue to recover it in rates.”
- BPA transmission contracts are renewed at least one year prior to termination date to exercise the reservation priority rights thereby avoiding competition with other parties in the queue
- BPA transmission contracts are generally renewed for the minimum term of 5 years to retain renewal rights and allow flexibility to reevaluate transmission need

CONTRACTS FOR RENEWAL:			
Project	Start	Term	MW
Centralia	10/1/2016	9/30/2021	100
Garrison	10/1/2016	9/30/2021	94
TOTAL			194



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Map of Transmission



BPA Long Term Queue Analysis – Centralia 100 MW

- Pending queue data was pulled on July 14, 2020 and is publically available on bpa.gov/transmission
- Queue analysis indicates that if PSE does not purchase, next requesters in the queue could reserve capacity into perpetuity
- Should PSE place new request in queue, it would enter the bottom of the queue, behind all other requests
- Upcoming BPA transmission model changes and no-build policy could affect PSE’s ability to purchase long-term transmission in future

Future Outlook of Paul Allston Flowgate

	2021	2022	2023	2024	2025	2026	2027	2028	2029
Remaining ATC (MW)	1576	944	944	945	978	979	980	981	982
Less Pending Queued Requests (MW)	965	575	570	528	557	487	488	489	490



BPA Long Term Queue Analysis – Garrison 94 MW

- Pending queue data was pulled on July 14, 2020 and is publically available on bpa.gov/transmission
- Queue analysis indicates that if PSE does not purchase, next requesters in the queue could reserve capacity into perpetuity
- Should PSE place new request in queue, it would enter the bottom of the queue, behind all other requests
- Upcoming BPA transmission model changes and no-build policy could affect PSE’s ability to purchase long-term transmission in future

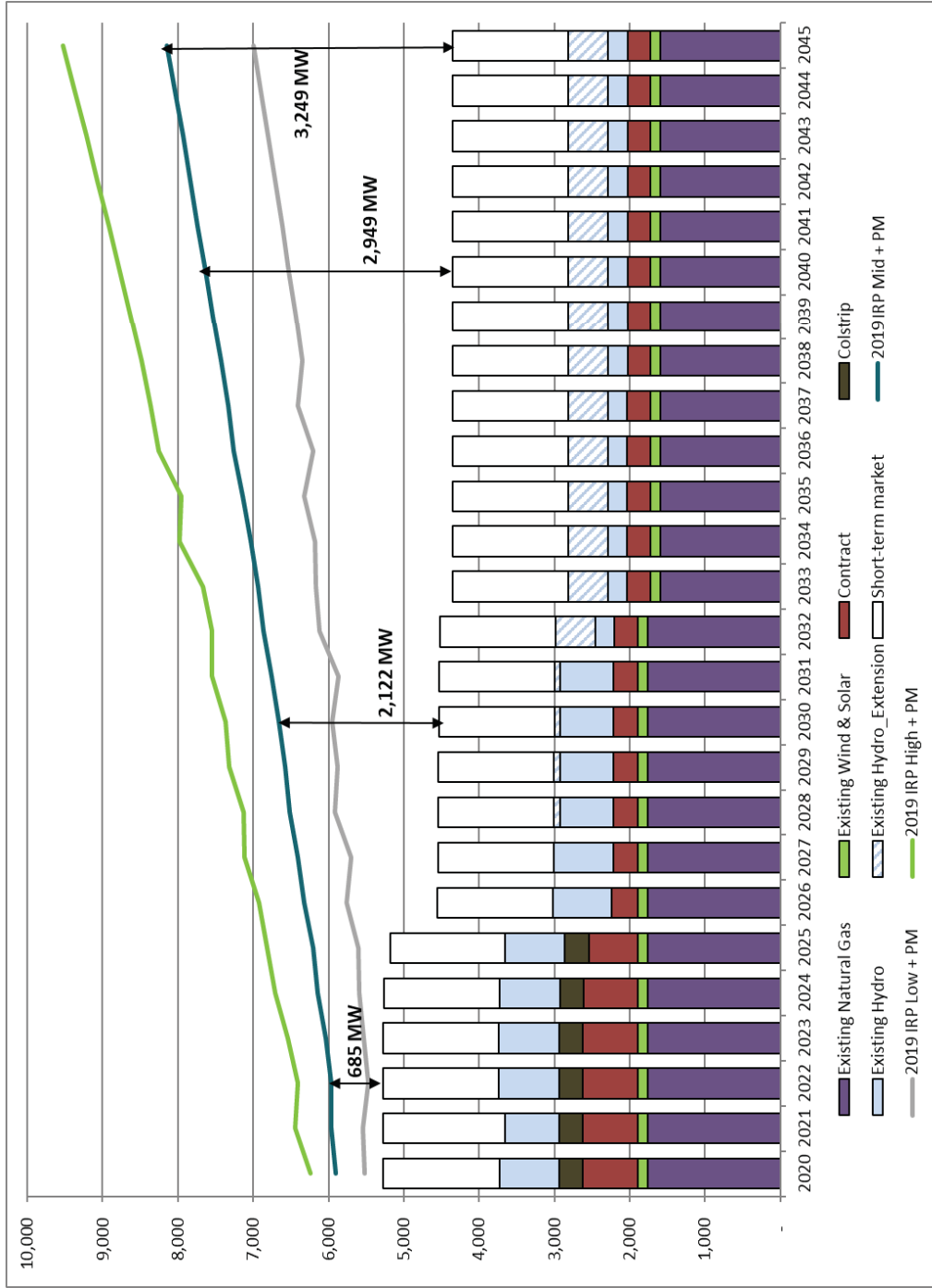
Future Outlook of West of Garrison Flowgate

	2021	2022	2023	2024	2025	2026	2027	2028	2029
Remaining ATC (MW)	216	0	0	0	0	0	0	0	0
Less Pending Queued Requests (MW)	(230)	(409)	(415)	(415)	(420)	(520)	(520)	(520)	(520)



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Electric Peak Capacity Need (2019)



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Portfolio Benefit

- Centralia
 - PPA is take or pay
 - \$200M in additional costs by not renewing the contract
- Garrison
 - Annual cost for transmission renewal is \$2.1
 - BPA 5 year call option adjusted for size cost [REDACTED] for energy when called upon
 - Alternative of a peaker plant would be appreciable cheaper

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